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C O N F I D E N T I A L CARACAS 000102

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SECSTATE PASS TO AGRICULTURE ELECTRONICALLY

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TAGS: ECON PGOV EAGR VE

SUBJECT: AD-HOC BRV CONFISCATIONS FURTHER THREATEN FOOD SUPPLY

REF: CARACAS 86

Classified By: Economic Counselor Andrew N. Bowen,
for reasons 1.4 (b).

¶11. (C) Summary: During the period of January 21 - 23, the Venezuelan National Guard seized more than 500 tons of food produced by Polar, Venezuela's largest food processing company, claiming that the food was being smuggled illegally to Colombia or "hoarded." According to Polar representatives, the confiscated trucks, traveling along their normal routes, were carrying finished goods for Venezuela's western states. Whether the actions reflect intentional targeting of opposition-aligned Polar or arbitrary acts at lower levels, they reveal the desperation of the BRV to appear to be acting to address the problem of basic scarcities. However, the BRV's arbitrary confiscations threaten the distribution and supply of food to Venezuelan states along the Colombian border. End Summary.

¶12. (SBU) Per ref A, the National Guard has stepped up border patrols to prevent Venezuelan food from being smuggled into Colombia. During January 21 - 23, the Venezuelan National Guard seized 27 trucks carrying 350 tons of food produced by Polar. On January 22, the National Guard also searched and confiscated 165 tons of pre-cooked cornmeal (two days worth of sales in Venezuela) from a Polar branch office in Maturin, capital of Monagas state, and detained the branch manager, Ricardo Felice, on suspicions of hoarding. During a January 23 press conference, Jose Anzola, Polar's director of logistics and supplies, described the National Guard's actions as "illegal and arbitrary acts that violated the basic constitutional rights of the business, its workers, and the population that will be affected by these actions." Anzola said that confiscated trucks, traveling along their habitual routes, were carrying cornmeal, mayonnaise, tomato sauce, margarine, rice, and oatmeal to supermarkets, bodegas, and warehouses in Venezuela's western states.

¶13. (C) Jose Machado, Polar's director of institutional relations, told EconOff during a January 24 telephone conversation that the National Guard's actions came as a surprise considering that the Vice-minister of Agriculture Economy, Richard Canan had said that the National Guard would only confiscate unprocessed food. He stressed that the confiscated Polar trucks were carrying only finished goods along their customary routes. Machado believed that the National Guardsmen were misinterpreting the government's directive and making arbitrary decisions as to what goods to

confiscate. He doubted that the BRV would return the confiscated food, saying that the government had likely already distributed it through their "networks." Machado added that Polar is not willing to send more trucks of food to the border-states due to the lack of security for their merchandise, and predicted more shortages along the border, especially in Tachira state. (Note: Polar produces approximately 70 percent of the pre-cooked cornmeal consumed in Venezuela, the key ingredient in several Venezuelan staple dishes. End Note.)

¶4. (C) On January 24, the BRV controlled Bolivarian News Agency (ABN) reported that since January 21 the National Guard, as part of "Plan Sovereign Nation," had confiscated 150 trucks carrying approximately 2000 tons of food in Tachira alone. The BRV only announced the new resolution regulating the movement of food along the border on January 24, nearly four days after the BRV started confiscating food.

This resolution temporarily prohibits the movement of "strategic rubrics" such as milk, rice, coffee, sorghum, and white and yellow corn toward the border states of Apure, Tachira, and Zulia without the Ministry of Agriculture's permission. To transport food to these areas, one must receive authorization from the Ministry of Agriculture, sign an affidavit saying the food is not for export, and verify the identity and location of the site of the silo, agro-industry, store, producer, or processing industry to which the food is being sent. Prior to the publication of this resolution, the lack of concrete information had generated mass confusion since no one, including the National Guard, appeared to know what products would be confiscated, the criteria for confiscating goods, or the documentation needed to avoid confiscation. Opposition oriented daily "el

Nacional" also reported on January 24 that various businesses have suspended the supply of products such as cornmeal, cooking oil, wheat, raw milk, animal feed, and coffee to Merida, Tachira, Barinas, Apure, and Zulia due to the increased uncertainty and lack of security.

Comment

¶5. (C) While we cannot conclude for certain whether the BRV is intentionally targeting Polar, the food processing giant is widely perceived to be associated with the opposition and its foundation is one of the largest contributors to human rights groups in Venezuela. The BRV's raid on Polar's Maturin branch and Chavez' general disdain for large food processors/distributors whom he routinely blames for the rolling shortages also suggests that the BRV likely wanted to at least send a message to Polar. Regardless, the BRV continues to be its own worst enemy in its efforts to fight food shortages. The confiscation of cargo and warehouse inventory reverberates throughout the Venezuelan food distribution chain, causing suppliers to reduce inventories and shipments. The poorly coordinated and ad-hoc efforts to prevent food from being smuggled across the border may only make shortages more acute in western Venezuela and undermines the BRV's increasingly urgent efforts to restock the shelves (Reftel A).

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